The Real Estate TRENDS

MARCH 31
1948

A concise monthly digest of real estate and construction fundamentals and trends.....A part of the complete service known as the Real Estate Analyst Reports.

Volume XVII

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 14

REAL ESTATE ACTIVITY

During the month of February the national real estate activity cycle recorded no change from the January figure of 42.6 points above the long-range computed normal.

Since our last publication the current war scare has caused us to advise a policy of watchful waiting regarding real estate transactions. Generally speaking, real estate is a good hedge against inflation, and in 1933 we began advising our clients to buy real estate for that purpose. If a new strongly inflationary spiral appears to be in the cards, we will advise the same thing again. We think, however, that the current boom has about run its course, and that inflation will begin to slacken gradually during the balance of the year. There is a slight possibility of a war with Russia which, in addition to all of the other terrible things such a war would bring, would start us off again on the inflation treadmill. We believe that this war will not develop, but we must allow for its possibility in our calculations. For this reason we advise you to hold any real estate already owned but not to buy any more. If war should come, we will issue revised forecasts on all real estate factors. One advantageous thing about the real estate cycle is that it seldom demands split-second timing. So we repeat, do nothing until you're reasonably sure of which way the market is going.

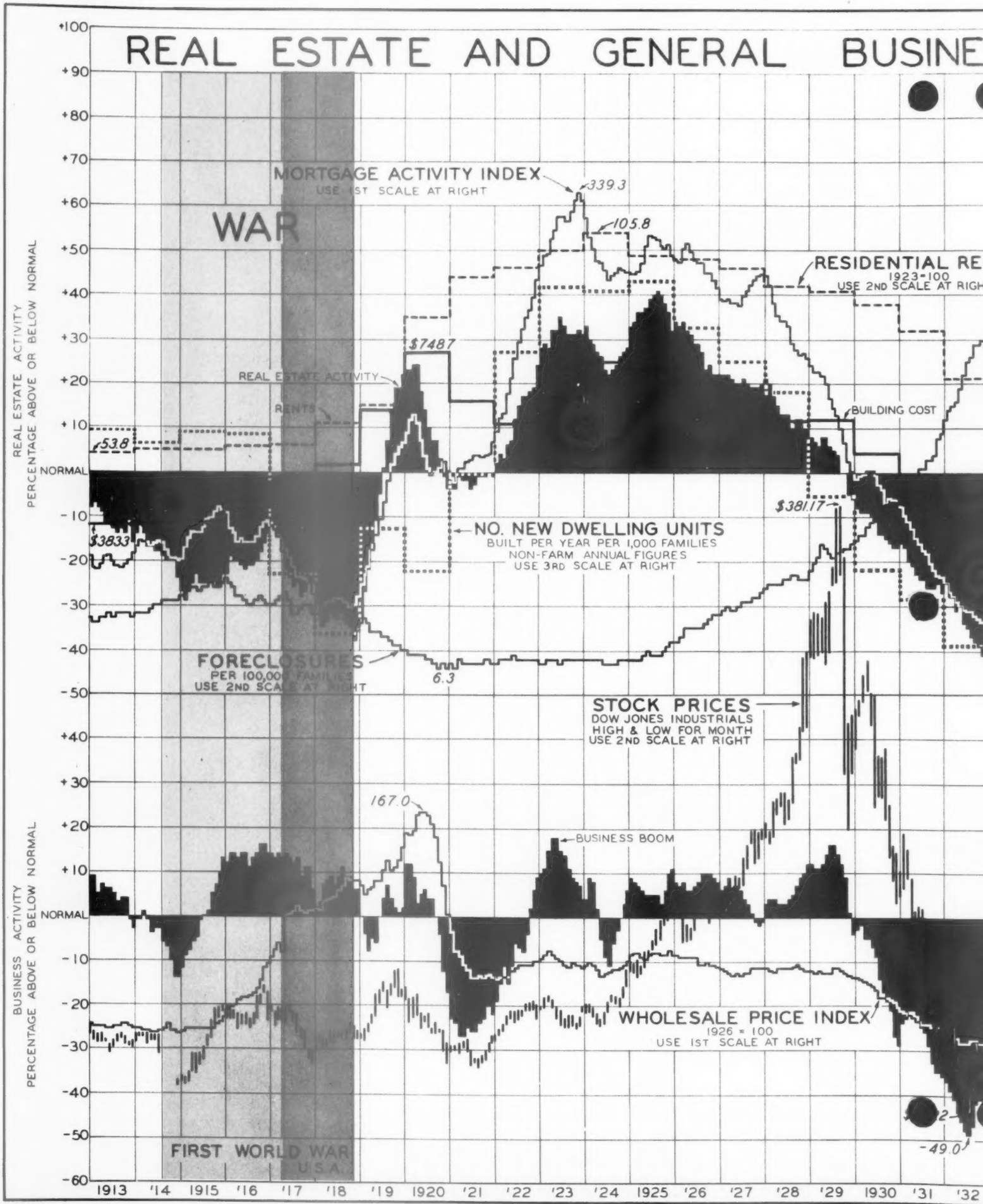
REAL ESTATE MORTGAGE ACTIVITY

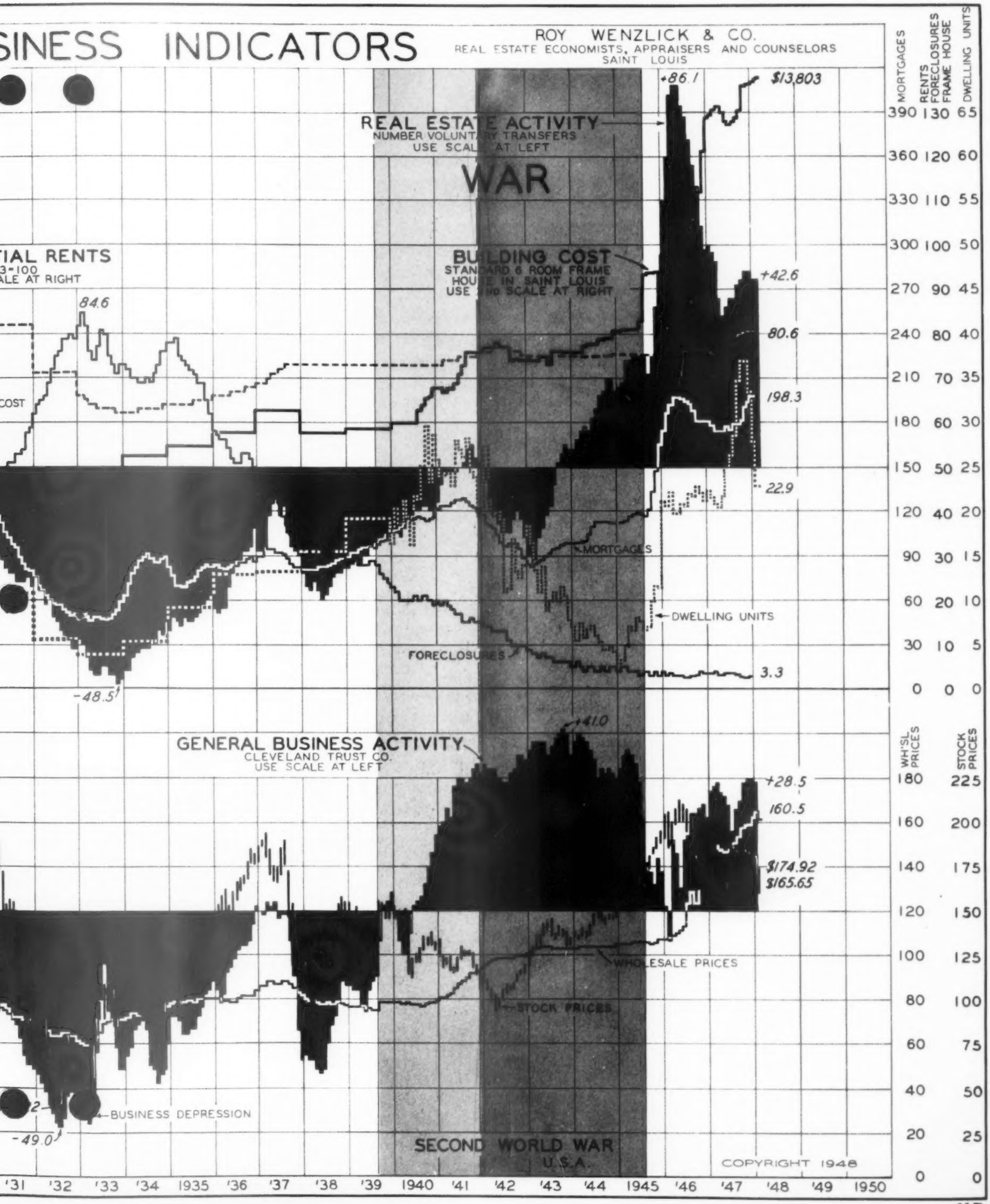
The revised December 1947 figure on mortgage activity reached a new high for the current boom of 199 points, while January showed a minute decline to 198.3. The prospect of an additional $2 billion in FHA insurance authority to keep residential construction moving at a high rate is growing more likely.

It's hard to tell right now which way the mortgage cycle is going to move. So much depends on what happens to our relations with Russia. One point mortgage lenders might consider before passing out the money is whether or not the project could be finished on schedule if war should break out. Also, in the event of war what regulatory legislation is likely regarding pay-offs and moratoriums on home loans. We hope that by next month the air will be clearer and more tranquil.

DWELLING UNITS

The first two months of 1948 showed a brisk 15 per cent increase over 1947 in the number of nonfarm dwelling units started. The totals were 97,000 during January and February 1948, against 84,200 in the same two months in 1947. This is at a rate of 27.9 units per year per 1000 families for January, and 22.9 units per year per 1000 families for February. The 1947 rate was 22.4 in January and


REAL ESTATE AND GENERAL BUSINE
REAL ESTATE ACTIVITY
PERCENTAGE ABOVE OR BELOW NORMAL
BUSINESS ACTIVITY
PERCENTAGE ABOVE OR BELOW NORMAL
+100
+90
+80
+70
+60
+50
+40
+30
+20
+10
NORMAL
-10
-20
-30
-40
-50
-60
WAR
MORTGAGE ACTIVITY INDEX
USE 1ST SCALE AT RIGHT
339.3
105.8
RESIDENTIAL RE
1923-100
USE 2ND SCALE AT RIGH
$7487
REAL ESTATE ACTIVITY
RENTS
BUILDING COST
538
$3833
$381.17
NO. NEW DWELLING UNITS
BUILT PER YEAR PER 1,000 FAMILIES
NON-FARM ANNUAL FIGURES
USE 3RD SCALE AT RIGHT
FORECLOSURES
PER 100,000 FAMILIES
USE 2ND SCALE AT RIGHT
6.3
STOCK PRICES
DOW JONES INDUSTRIALS
HIGH & LOW FOR MONTH
USE 2ND SCALE AT RIGHT
167.0
BUSINESS BOOM
WHOLESALE PRICE INDEX
1926 = 100
USE 1ST SCALE AT RIGHT
-49.0
FIRST WORLD WAR
U.S.A.
1913
'14
1915
'16
'17
'18
'19
1920
'21
'22
'23
'24
1925
'26
'27
'28
'29
1930
'31
'32


SINESS INDICATORS
ROY WENZLICK & CO.
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS
SAINT LOUIS
REAL ESTATE ACTIVITY
NUMBER VOLUNTARY TRANSFERS
USE SCALE AT LEFT
WAR
+86.1
$13,803
TIAL RENTS
3-100
ALE AT RIGHT
84.6
BUILDING COST
STANDARD 6 ROOM FRAME
HOUSE IN SAINT LOUIS
USE 2nd SCALE AT RIGHT
+42.6
80.6
198.3
COST
22.9
MORTGAGES
DWELLING UNITS
FORECLOSURES
3.3
-48.5
GENERAL BUSINESS ACTIVITY
CLEVELAND TRUST CO.
USE SCALE AT LEFT
+41.0
+28.5
160.5
$174.92
$165.65
WHOLESALE PRICES
STOCK PRICES
BUSINESS DEPRESSION
-49.0
SECOND WORLD WAR
U.S.A.
COPYRIGHT 1948
MORTGAGES
RENTS
FORECLOSURES
FRAME HOUSE
DWELLING UNITS
390 130 65
360 120 60
330 110 55
300 100 50
270 90 45
240 80 40
210 70 35
180 60 30
150 50 25
120 40 20
90 30 15
60 20 10
30 10 5
0 0 0
WH'SL. PRICES
STOCK PRICES
180 225
160 200
140 175
120 150
100 125
80 100
60 75
40 50
20 25
0 0
'31 '32 '33 '34 1935 '36 '37 '38 '39 1940 '41 '42 '43 '44 1945 '46 '47 '48 '49 1950

BUILDING COSTS OF A STANDARD FIVE ROOM BRICK VENEER RESIDENCE BUILT IN ST. LOUIS

Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the paragraphs below. Paragraphs are numbered to correspond with the columns described. Building material costs are indicated by the letter M; corresponding labor items, in red by the letter L.

*No labor items are shown in Column 10, Building Hardware, as they have already been included in Column 5, Millwork.

Group A

(1) Masonry: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster, face and common brick, fire brick, flue lining.

(2) Tile Work: 4-1/4 x 4-1/4 wall tile, ceramic floor tile, cap and base.

Group B

(3) Unfinished Lumber: "H" columns, "I" beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc.

(4) Finished Lumber: Sub-flooring, sheathing, finished floors, asphalt shingle roofing, roofing felt, shutters, etc.

(5) Millwork: Windows, doors, trim, kitchen cabinet, stairs.

Group C

(6) Heating: Furnace, blower, ducts, registers and metal work.

(7) Plumbing: Soil pipes and connections, stack, water pipe and connections, lead oakum and bathroom fixtures; hot water heater and tank to be furnished by others.

Group D

(8) Sheet Metal: Galv. iron (present) gutters, downspouts, flashing.

(9) Electrical Work: Main switch, BX cable, switch boxes, receptacles, transformer, etc. No fixtures included.

(10) Nails and Hardware: Common and wire nails, bolts, damper, ash doors, finish hardware, bonding clips.

(11) Painting: White lead, linseed oil, turpentine, varnish, shellac, filler.

(12) Miscellaneous: Wood laths, corner bead, insulation.

Total Material and Labor Costs

Group E

(13) Overhead and profit of subcontractors in plastering, metal work, heating, plumbing, electrical work and tile work.

(14) General contractor's profit.

(15) Missouri sales tax (now 2% on materials), old age and unemployment tax (Federal and State), liability and employees' compensation insurance, fire and tornado insurance, completion bond.

(16) Total overhead, profit and other costs.

TOTAL CONSTRUCTION COST

		GROUP A				GROUP B						GROUP C				GROUP D								GROUP E				TOTAL
Year		(1)		(2)		(3)		(4)		(5)		(6)		(7)		(8)		(9)		(10)		(11)		(12)		Total		(13)	(14)	(15)	(16)	
		M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L					
	1913	$397	$ 577	$ 15	$ 5	$280	$ 98	$ 242	$ 81	$272	$ 87	$122	$ 18	$224	$ 87	$65	$14	$36	$38	$68	$24	$ 46	$ 30	$ 37	$1775	$1088	$192	$305	$122	$ 619	$ 3482
	1914	437	577	15	5	265	98	225	81	272	87	115	18	228	87	59	14	33	38	68	24	46	29	37	1770	1088	188	305	122	615	3473
	1915	445	577	15	5	263	105	202	88	255	95	129	19	245	92	68	15	38	41	71	25	55	26	39	1782	1131	201	311	125	637	3550
	1916	453	599	15	5	346	105	239	88	285	95	151	19	283	92	101	15	56	41	82	32	55	30	39	2073	1153	226	345	133	704	3930
	1917	559	638	16	5	389	106	275	88	312	95	206	19	314	96	108	15	60	43	92	41	55	35	39	2407	1199	255	386	143	784	4390
	1918	655	654	16	6	395	116	311	96	353	103	191	21	321	97	95	16	53	43	96	47	59	40	41	2573	1252	253	408	150	811	4636
	1919	769	708	16	6	551	124	554	103	575	111	192	22	324	102	83	18	46	45	94	48	64	71	44	3223	1347	256	483	169	908	5478
	1920	909	736	18	6	622	177	646	147	801	158	243	32	338	119	83	25	46	52	108	59	91	82	50	3955	1593	283	583	202	1068	6616
	1921	826	772	16	7	487	182	512	151	397	162	180	33	503	123	64	26	36	54	85	47	93	65	61	3218	1664	295	518	195	1008	5890
	1922	752	771	16	7	396	169	386	140	443	151	166	30	470	130	64	24	36	57	78	43	86	49	58	2999	1623	288	491	188	967	5589
	1923	783	844	16	8	445	195	437	162	424	173	194	35	442	146	70	28	39	64	85	43	100	56	69	3034	1824	299	516	205	1020	5878
	1924	749	995	201	135	427	238	428	198	379	191	196	43	397	176	64	34	36	78	86	53	122	54	82	3070	2292	412	577	245	1234	6596
	1925	744	994	201	135	412	244	403	203	364	218	191	44	398	164	68	35	38	72	83	56	125	51	83	3009	2317	410	574	246	1230	6556
	1926	695	994	201	135	417	233	420	193	334	208	182	42	396	156	69	35	38	69	82	54	119	51	76	2939	2260	404	560	240	1204	6403
	1927	697	994	201	135	390	221	398	184	275	198	179	40	396	129	67	32	37	52	82	51	114	49	76	2822	2175	392	539	231	1162	6159
	1928	696	917	168	123	430	179	361	148	290	159	168	32	377	120	71	26	40	52	82	47	91	44	62	2774	1909	343	503	208	1054	5737
	1929	693	917	149	123	425	179	390	148	294	159	169	32	376	120	82	26	46	52	83	49	91	47	62	2798	1909	349	506	208	1063	5770
	1930	594	727	149	123	394	131	370	110	243	118	161	24	337	91	71	19	39	39	75	49	88	163	47	2645	1497	313	445	172	930	5072
	1931	525	570	125	72	346	105	326	88	198	95	157	19	321	74	58	15	32	32	68	47	55	152	39	2355	1164	263	378	139	780	4299
	1932	547	570	112	65	297	105	386	88	221	95	146	19	288	74	50	15	28	32	67	42	55	152	39	2336	1157	243	374	138	755	4248
	1933	544	570	105	65	377	105	320	88	279	95	146	19	282	74	52	15	29	32	63	39	55	164	39	2400	1157	241	380	139	760	4317
	1934	657	570	98	65	452	105	427	88	388	95	152	19	293	74	55	15	31	32	68	39	55	170	39	2830	1157	246	423	147	816	4803
	1935	625	727	91	84	402	131	365	110	411	118	156	24	303	91	43	19	24	39	66	39	68	173	47	2698	1458	261	442	169	872	5028
	1936	623	794	91	84	380	155	370	127	385	136	161	27	315	106	50	21	28	45	66	41	77	168	52	2716	1624	279	462	305	1046	5386
	1937	609	818	91	84	415	181	425	149	453	153	212	56	348	111	54	25	30	45	69	45	82	172	52	2923	1757	315	498	326	1139	5819
	1938	608	696	83	84	359	153	343	125	447	128	204	46	319	103	47	22	26	45	69	42	68	168	41	2715	1511	290	451	289	1030	5256
	1939	608	833	83	97	370	155	359	128	402	137	207	48	291	105	49	22	27	45	68	44	85	144	57	2652	1712	301	467	310	1078	5442
Ja	1940	609	853	83	97	399	152	371	129	419	127	215	50	228	106	58	21	32	45	69	45	73	144	62	2672	1715	294	468	311	1073	5460
Ap	1940	609	853	83	97	405	152	359	129	439	127	215	50	231	106	63	21	35	45	69	47	73	144	62	2699	1715	301	472	313	1086	5500
Jl	1940	609	853	83	97	410	152	359	129	439	127	215	50	231	106	63	21	35	45	69	49	73	144	62	2706	1715	301	489	313	1103	5524
O	1940	609	852	114	108	505	157	444	131	486	128	215	50	244	127	63	21	31	45	70	51	73	153	71	2985	1763	319	507	330	1156	5904
Ja	1941	621	986	114	108	503	176	450	147	488	142	218	56	210	132	60	23	28	45	73	52	82	153	79	2970	1976	364	531	355	1250	6196
Ap	1941	591	974	126	108	480	176	413	147	481	142	218	56	217	124	60	23	28	50	75	52	102	153	79	2894	1981	324	520	352	1196	6071
Jl	1941	611	1012	126	108	590	202	445	169	485	164	219	56	217	124	87	23	27	50	77	55	102	165	79	3104	2089	331	552	373	1256	6449
O	1941	613	1095	126	108	608	219	439	183	507	178	219	90	230	143	100	36	33	56	85	56	114	170	79	3186	2301	356	584	402	1342	6829
Ja	1942	613	1113	138	108	538	224	431	185	507	178	219	90	241	144	58	36	49	56	84	56	11-	172	80	3106	2328	358	579	403	1340	6774
Ap	1942	640	1113	138	108	541	224	451	185	525	178	219	90	235	144	58	36	51	56	84	58	114	171	80	3171	2328	358	586	405	1349	6848
Jl	1942	640	1113	138	108	542	227	449	187	525	179	219	90	235	159	53	36	51	68	84	58	114	171	76	3165	2357	359	588	408	1355	6877
O	1942	640	1051	128	108	539	201	457	167	525	160	218	90	235	124	53	36	51	51	84	58	102	171	74	3159	2164	347	567	385	1299	6622
Ja	1943	640	1051	119	108	539	201	457	167	525	160	229	90	236	124	53	36	51	51	84	58	102	167	74	3158	2164	347	567	385	1299	6621
Ap	1943	640	1051	119	108	539	201	457	167	525	160	227	90	236	124	53	36	51	51	83	58	102	167	74	3155	2164	346	567	385	1298	6617
Jl	1943	640	981	119	125	539	184	457	151	525	143	227	84	236	124	53	33	51	50	84	58	102	167	74	3156	2051	347	555	371	1273	6480
O	1943	640	981	119	125	626	184	540	151	525	143	227	56	236	124	53	24	51	50	84	58	102	179	74	3338	2014	340	569	373	1282	6634
Ja	1944	640	981	138	125	626	184	593	151	529	143	226	56	236	124	53	24	51	50	84	58	102	179	74	3413	2014	347	577	376	1300	6727
Ap	1944	640	981	138	125	659	184	618	151	529	143	226	56	236	124	53	24	51	50	84	58	102	179	74	3471	2014	347	583	378	1308	6793
Jl	1944	640	981	138	125	659	184	618	151	538	143	226	56	236	124	53	24	51	50	84	58	102	179	74	3480	2014	347	584	389	1320	6814
O	1944	659	1102	138	125	659	184	621	151	538	143	226	56	236	132	53	24	51	50	84	58	102	185	88	3508	2157	349	601	397	1347	7012
Ja	1945	659	1117	138	125	659	206	621	169	607	161	226	56	236	132	53	24	51	50	84	58	102	185	88	3577	2230	349	616	408	1373	7180
Ap	1945	673	1117	138	125	659	206	621	169	607	161	226	56	236	132	53	24	51	50	84	58	102	185	88	3591	2230	349	617	409	1375	7196
Jl	1945	673	1117	138	125	659	227	621	187	607	179	226	56	239	132	53	24	51	56	84	58	114	185	92	3594	2309	351	625	419	1395	7298
O	1945	749	1530	139	142	650	317	625	261	607	250	226	56	239	208	53	24	51	79	84	58	154	185	118	3666	3139	401	721	522	1644	8449
Ja	1946	753	1609	139	142	650	333	625	276	607	267	230	84	242	213	59	36	51	87	84	58	165	185	113	3683	3325	430	742	543	1715	8723
Ap	1946	766	1699	139	142	675	333	605	276	607	267	230	84	250	213	59	36	51	93	84	58	165	185	113	3709	3421	434	755	556	1745	8877
Jl	1946	796	1723	139	142	675	360	625	301	622	293	243	84	271	213	59	36	62	93	86	62	165	185	113	3825	3523	443	775	571	1789	9137
O	1946	808	1723	139	142	683	360	631	301	701	293	261	84	291	223	59	36	70	99	86	62	165	192	145	3983	3571	458	801	587	1846	9400
Ja	1947	936	1901	169	165	977	378	1178	319	858	313	304	84	328	266	78	36	67	99	119	127	196	241	153	5382	3910	519	981	680	2180	11472
F	1947	936	1901	169	165	1005	378	1173	319	875	313	308	84	329	266	78	36	67	99	128	127	196	241	153	5436	3910	521	987	690	2198	11544
Mr	1947	936	1901	169	165	1025	378	1236	319	879	313	308	84	331	266	78	36	71	99	128	127	196	241	153	5529	3910	521	996	687	2204	11643
Ap	1947	968	1901	169	165	1024	378	1240	319	879	313	308	84	323	266	78	36	71	99	128	127	196	241	153	5556	3910	521	999	686	2206	11672
My	1947	973	1901	169	165	1024	378	1108	319	879	313	308	84	332	266	78	36	70	99	128	122	196	241	153	5432	3910	522	986	682	2190	11532
Je	1947	973	1901	169	165	908	378	1055	319	879	313	308	84	332	266	83	36	70	99	128	122	196	241	153	5268	3910	524	970	676	2170	11348
Jl	1947	973	1901	169	165	835	378	1049	319	879	313	308	84	332	266	83	36	70	99	128	122	196	241	153	5189	3910	524	962	673	2159	11258
Ag	1947	974	1901	169	165	840	378	1036	319	909	313	308	84	339	266	86	36	70	99	128	121	196	241	153	5221	3910	526	966	674	2166	11297
S	1947	987	1901	169	165	842	378	1036	319	909	313	308	84	362	266	86	36	70	99	128	120	196	237	153	5254	3910	531	970	675	2176	11340
O	1947	1013	1901	169	184	881	378	1067	319	946	313	307	84	362	266	86	36	70	99	129	120	196	237	153	5386	3929	557	987	679	2223	11538
N	1947	1014	1981	206	184	912	391	1103	326	946	318	307	84	402	298	104	36	70	99	129	121	205	258	153	5572	4075	570	1021	707	2298	11945
D	1947	1021	1981	206	184	928	391	1103	326	960	318	337	84	402	298	104	36	70	99	129	121	205	258	153	5639	4075	578	1029	708	2315	12029
Ja	1948	1042	1981	206	184	928	391	1111	326	960	318	353	84	402	298	104	36	67	99	134	120	205	258	153	5686	4075	581	1034	712	2327	12086
F	1948	1050	1981	206	184	936	391	1111	326	989	318	353	84	413	298	80	36	67	99	134	120	205	272	153	5735	4075	576	1039	710	2325	12135
M	1948	1050	1981	206	184	936	391	1111	326	989	318	357	84	417	298	80	36	68	99	134	129	205	272	153	5749	4075	576	1040	710	2326	12150

21.5 in February. That this increase has been achieved in the face of such unseasonable weather over most of the country is most heartening and may be a harbinger of the biggest spring ever recorded in the industry.

Unfortunately, these pleasant prospects must be tempered by the somber news from abroad. If the draft or universal military training or a large number of volunteers swell our armed forces, many construction workers will be needed to provide barracks. Then, too, a good many construction workers may enter the armed forces. A big defense program would deduct still more from the residential labor pool. The uncertainty of the times may cause contractors to adopt a "wait and see" policy before tying up time and money in homes that may be held up for lack of materials if rationing and allocations are restored.

We think that war is unlikely, but uncertainty prevails and this alone could seriously diminish the 1948 residential building program.

BUSINESS ACTIVITY

Last month we concluded our paragraph on this subject with: "While the last half of 1948 may be slower than the first, we could sail into 1949 with very little loss of speed." What seemed to be a possibility last month seems a probability now. There are still a few die-hards who accuse the Democrats of manufacturing the current war scare to win the election. While we will acknowledge that political machinations may be extremely devious, particularly during an election year, we find it difficult to tie the label of party politics to the recent events in Czechoslovakia.

Mr. Truman is alarmed by events abroad. His speech before Congress, while weak, was not a phony. He did not say much but he meant what he said. His reversal on the Palestine problem could cost him the State of New York in November. And so it seems to us that while we will not have war, we will prepare for war. How extensive these preparations will be is unknown. We doubt if anyone in Washington has a clear idea of just how far we will go. Indications are that in some manner or other our armed forces will be expanded. Stock-piling of certain strategic materials will step up; more money seems destined for research and production of guided missiles and aircraft. Other precautions are sure to be taken. These moves will all call for government expenditures - just how high these expenditures will go depends on what success we have diplomatically. If the Communists win the Italian elections on April 18, or if they lose and start a civil war, the expenditures will probably increase greatly. If neither of these events takes place, the tension will relax a bit until the Russians start rocking the boat again.

The other forces tending to prevent deflation are still at work. There's going to be a tax cut, although it probably won't last. Labor is going to get more money. E. R. P. is being rushed through Congress and the unspeakable Mr. Lewis has fomented another coal strike which will, if not settled quickly, gouge a large chunk out of our production. Whatever else 1948 may be, it will not be dull.

FORECLOSURES

The latest figure for the national foreclosure index shows that in December 1947 the rate stood at 3.3 foreclosures per 100,000 families. It has actually been years since this index has offered anything more violent than an occasional

twitch, and we can see nothing in the near future that leads us to anticipate anything more exciting. We are starting another city-by-city foreclosure survey and will have more detailed information to report soon.

BUILDING COSTS

The cost of the standard six-room frame house in St. Louis rose slightly to $13,803 in March of this year. If it were not for the threat of additional war inflation we would say that this is the near peak. As it is - anything might happen. Our guess is that the costs from now on will hover around this level for the balance of the year, and then start down. The climb in costs has been slowing down, for since November 1947 there has been an increase of only 1.1 per cent in the cost of building this house.

RESIDENTIAL RENTS

Little by little Congress keeps chipping away at rent control. Among other things, the new rent control bill passed by Congress on March 25 takes the final decision on area decontrol away from Housing Expediter Tighe Woods and places it in the hands of an emergency Federal court. The court is obligated to uphold the recommendations of the local board providing these recommendations are based on "adequate and substantial evidence." On the surface, this change appears to be for the better, as Mr. Woods has been rather arbitrary in overruling the decisions of the local boards. A firm opinion of this new bill will have to be reserved until we can learn just what the court will consider "adequate and substantial evidence."